

119TH CONGRESS  
1ST SESSION

# H. R. 2994

To amend the Internal Revenue Code of 1986 to enhance the Child and Dependent Care Tax Credit and make the credit fully refundable for certain taxpayers.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 24, 2025

Mr. DAVIS of Illinois (for himself, Ms. DELBENE, Ms. SÁNCHEZ, Mr. BEYER, Ms. MOORE of Wisconsin, Ms. CHU, Ms. SEWELL, Mr. BOYLE of Pennsylvania, Ms. MCCOLLUM, Ms. BROWNLEY, Mr. LARSON of Connecticut, Ms. WILSON of Florida, Ms. NORTON, Mr. CLEAVER, Mr. CARSON, Mr. KHANNA, Mr. CONNOLLY, and Mr. PANETTA) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to enhance the Child and Dependent Care Tax Credit and make the credit fully refundable for certain taxpayers.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Child and Dependent  
5       Care Tax Credit Enhancement Act of 2025”.

1 **SEC. 2. ENHANCEMENT OF CHILD AND DEPENDENT CARE**

2 **TAX CREDIT.**

3 (a) IN GENERAL.—Paragraph (2) of section 21(a) of  
4 the Internal Revenue Code of 1986 is amended to read  
5 as follows:

6 “(2) APPLICABLE PERCENTAGE.—

7 “(A) IN GENERAL.—For purposes of para-  
8 graph (1), the term ‘applicable percentage’  
9 means 50 percent reduced (but not below the  
10 phaseout percentage) by 1 percentage point for  
11 each \$2,000 (or fraction thereof) by which the  
12 taxpayer’s adjusted gross income for the taxable  
13 year exceeds \$125,000.

14 “(B) PHASEOUT PERCENTAGE.—For pur-  
15 poses of subparagraph (A), the term ‘phaseout  
16 percentage’ means 20 percent reduced (but not  
17 below zero) by 1 percentage point for each  
18 \$2,000 (or fraction thereof) by which the tax-  
19 payer’s adjusted gross income for the taxable  
20 year exceeds \$400,000.”.

21 (b) INCREASE IN DOLLAR LIMIT ON AMOUNT CRED-  
22 ITABLE.—Subsection (c) of section 21 of the Internal Rev-  
23 enue Code of 1986 is amended—

24 (1) in paragraph (1), by striking “\$3,000” and  
25 inserting “\$8,000”; and

1           (2) in paragraph (2), by striking “\$6,000” and  
2           inserting “\$16,000”.

3           (c) SPECIAL RULE FOR MARRIED COUPLES FILING  
4 SEPARATE RETURNS.—Paragraph (2) of section 21(e) of  
5 the Internal Revenue Code of 1986 is amended to read  
6 as follows:

7           “(2) MARRIED COUPLES FILING SEPARATE RE-  
8           TURNS.—

9           “(A) IN GENERAL.—In the case of married  
10           individuals who do not file a joint return for the  
11           taxable year—

12                   “(i) the applicable percentage under  
13                   subsection (a)(2) and the number of quali-  
14                   fying individuals and aggregate amount ex-  
15                   cludable under section 129 for purposes of  
16                   subsection (c) shall be determined with re-  
17                   spect to each such individual as if the indi-  
18                   vidual had filed a joint return with the in-  
19                   dividual’s spouse, and

20                   “(ii) the aggregate amount of the  
21                   credits allowed under this section for such  
22                   taxable year with respect to both spouses  
23                   shall not exceed the amount which would  
24                   have been allowed under this section if the  
25                   individuals had filed a joint return.

1                   “(B) REGULATIONS.—The Secretary shall  
 2                   prescribe such regulations or other guidance as  
 3                   is necessary to carry out the purposes of this  
 4                   subsection.”.

5           (d) ADJUSTMENT FOR INFLATION.—Section 21 of  
 6 the Internal Revenue Code of 1986 is amended by adding  
 7 at the end the following new subsection:

8           “(i) INFLATION ADJUSTMENT.—

9                   “(1) IN GENERAL.—In the case of a calendar  
 10                   year beginning after 2025, the \$125,000 amount in  
 11                   paragraph (2) of subsection (a) and the dollar  
 12                   amounts in subsection (c) shall each be increased by  
 13                   an amount equal to—

14                   “(A) such dollar amount, multiplied by

15                   “(B) the cost-of-living adjustment deter-  
 16                   mined under section 1(f)(3) for the calendar  
 17                   year in which the taxable year begins, deter-  
 18                   mined by substituting ‘calendar year 2024’ for  
 19                   ‘calendar year 2016’ in subparagraph (A)(ii)  
 20                   thereof.

21                   “(2) ROUNDING.—If any dollar amount, after  
 22                   being increased under paragraph (1), is not a mul-  
 23                   tiple of \$100, such dollar amount shall be rounded  
 24                   to the next lowest multiple of \$100.”.

1       (e) CREDIT MADE REFUNDABLE.—Section 21(g) of  
2 the Internal Revenue Code of 1986 is amended to read  
3 as follows:

4       “(g) CREDIT MADE REFUNDABLE FOR CERTAIN IN-  
5 DIVIDUALS.—If the taxpayer (in the case of a joint return,  
6 either spouse) has a principal place of abode in the United  
7 States (determined as provided in section 32) for more  
8 than one-half of the taxable year, the credit allowed under  
9 subsection (a) shall be treated as a credit allowed under  
10 subpart C (and not allowed under this subpart).”.

11       (f) EFFECTIVE DATE.—The amendments made by  
12 this section shall apply to taxable years beginning after  
13 December 31, 2024.

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